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October 12, 2017

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Re: *Ex parte* presentation in WC Docket Nos. 16-363, 10-90, 07-135; CC Docket No. 01-92

Dear Ms. Dortch:

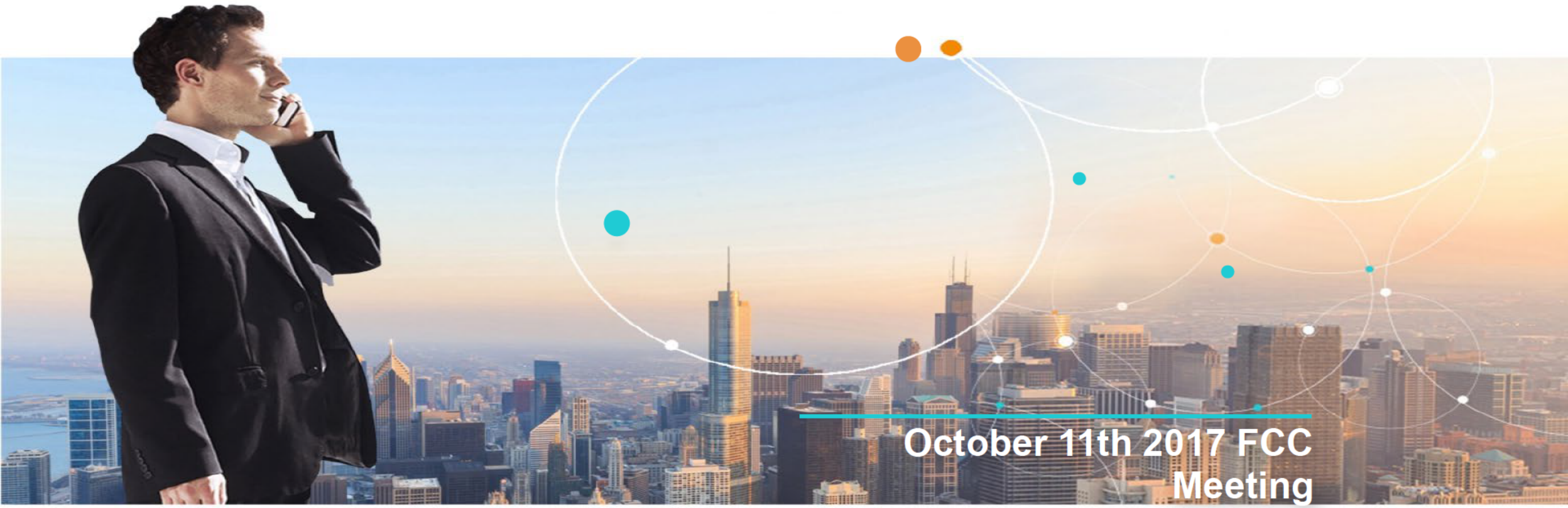
On October 11, 2017, Fritz Hendricks and Scott Sawyer of Inteliquent, Inc., Reed Hundt, and the undersigned met with Lisa Hone, Pamela Arluk, Gil Strobel, Greg Capobianco, Victoria Goldberg (by phone), and Irina Asoskov (by phone) of the Wireline Competition Bureau to discuss the pending AT&T forbearance petition and the recent requests to refresh the public record in the *2011 ICC Transformation FNPRM* from the perspective of a company that is an integral part of the routing and termination of calls, especially in rural parts of the country. We stressed that AT&T's petition identified some important areas that need further reform but that the Commission should address those concerns in a thoughtful manner that takes account of the movement of access stimulation from one exchange to another and the legitimate role of other participants in the system including tandem providers and rural telephone companies, among others. The parties also discussed the attached presentation.

Please direct any questions to the undersigned.

Sincerely,

/s/ Gerard J. Waldron
Gerard J. Waldron
Counsel for Inteliquent, Inc.

cc: Meeting attendees



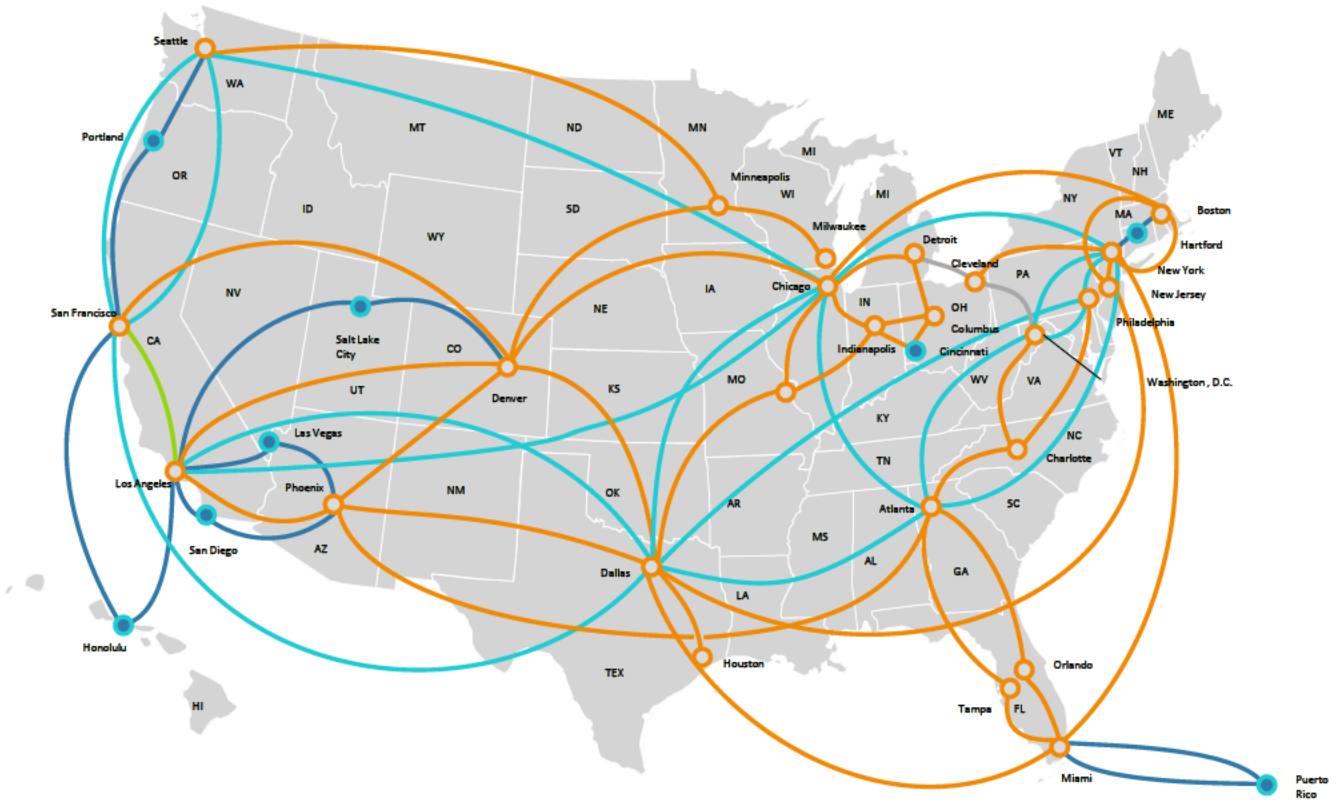
October 11th 2017 FCC Meeting

Inteliquent – Network based Communications Enablement

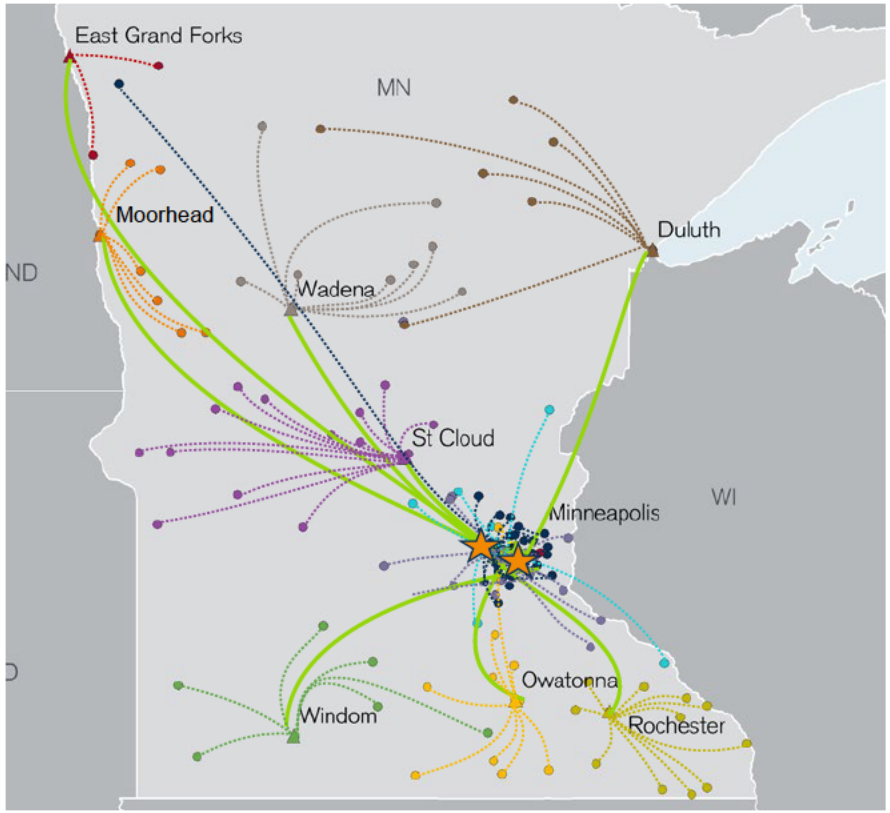
- Create & Connect Providers
- Serving 650+ Rural ILECs
- 27B MOU per Month
- 32M Telephone Numbers in Service
- Network-Based Carrier
- Fully-Automated APIs
- 49 States + Puerto Rico
- 8400 On-net Rate Centers (12K Total)
- 20,000-30,000 New TNs Per Day

Network Overview – Broad National Reach with Deep Regional On-Net Coverage

Broad National Coverage



Deep Network Reach



Note: Detailed network discussion and maps on Pages 34-36.

Solutions to Address Mileage Pumping and 8YY Query Charges

Ex Parte Presentation
October 11 2017

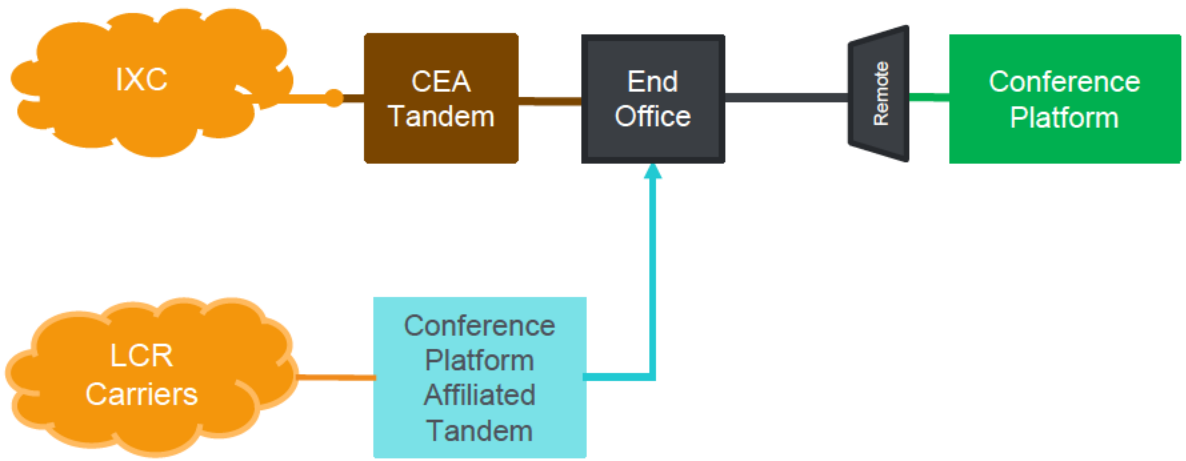
2011 FCC Reform - Review

The 2011 order curb access arbitrage – however additional solutions can be put in place to prevent existing arbitrage schemes

- The FCC's 2011 reforms were successful – and curbed a material portion of access stimulation
- Additional steps can be taken – and will prevent harm to carriers and consumers
- AT&T's Forbearance Petition and the FCC's recent request to refresh the ICC FNPRM record provides an appropriate forum to review additional actions that can reduce arbitrage
- Areas of opportunity:
  - Eliminate perceived protections:
    - CEA - Benchmark all tandem charges (CEA or Not) for traffic destined to a RLEC/CLEC engaged in access stimulation
    - End Office direct connect - Require RLECs/CLECs engaged in access stimulation to provide direct connects at ILEC rates
    - Eliminate NRC and MRC charges for RLEC/CLEC engaged in access stimulation – reduce risk of traffic movement to another RLEC/CLEC
  - Mileage Pumping – reduce the impact of a conference platforms located in remote areas of the country which increase access mileage charges between:
    - CEA tandems in IA and SD and the serving Host End Office
    - Host End Office and a remote terminal serving conference platform (Host/Remote configuration)
    - Cap the miles and termination usage charges a RLEC/CLEC can assess if engaged in access stimulation
  - Set a benchmark 8YY Query Charge nationwide or benchmark the incumbent RBOC

Eliminate Perceived Protections - Context

RLEC/CLECs in IA and SD engaged in access stimulation home to a CEA tandem and claim CEA status protection, while also providing a direct connect bypass of CEA to the conference platform affiliate

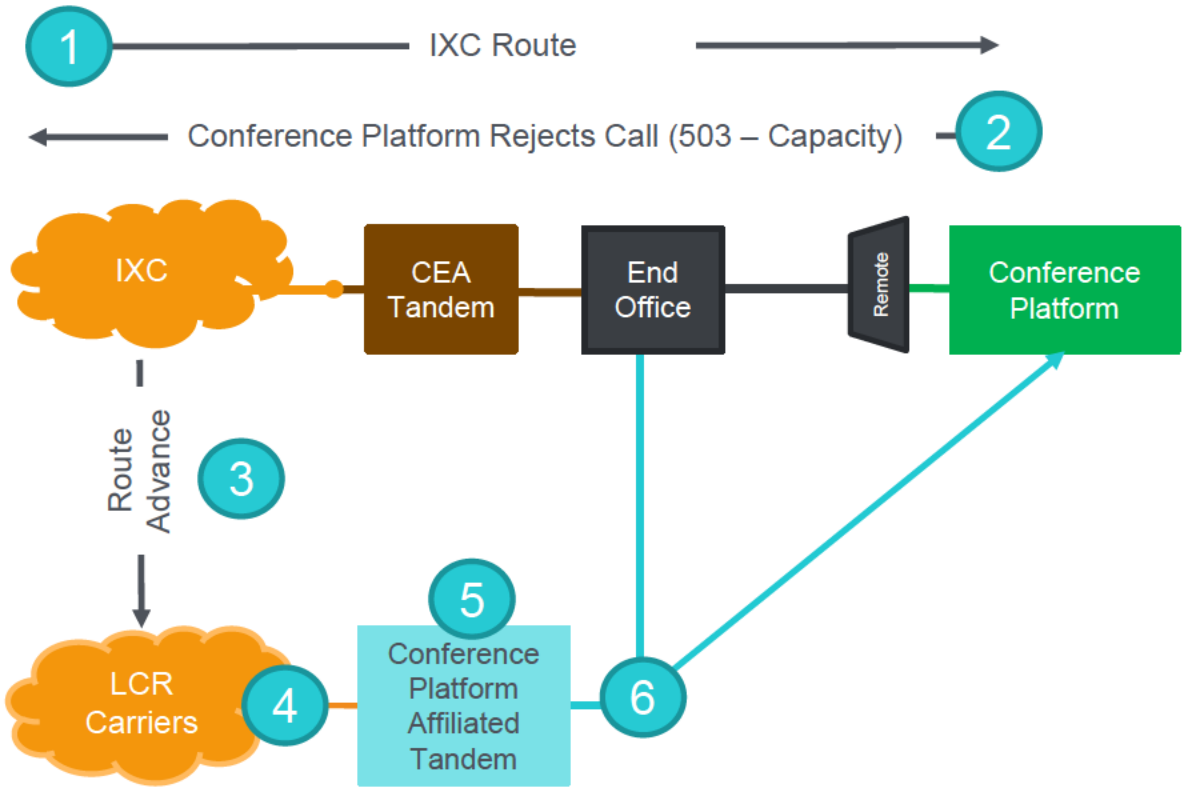


Configuration:

- RLECs/CLECs engaged in access stimulation are homed to a CEA tandem
- CEA tandems in IA and SD have a monopoly on originating and terminating traffic – reportedly no bypass options
- Terminating LEC End Office(s) refuses a direct connect (RLEC & CLEC) claiming CEA protection and/or CLEC does not need to offer a direct connect
- Terminating LEC End Offices engaged in access stimulation allows a direct connect to an affiliate of the conference platform
- Conference platform affiliate claims to be an unregulated private carrier and not a regulated IXC
- Terminating LEC's End office platform is often provided by a conference platform affiliated as a wholesale service to the RLEC/CLEC
- Perceived CLEC and CEA protection enables the affiliated parties to charge rates that are slightly below the CEA and End Office composite rate

Eliminate Perceived Protections – How it works

A call that was originally routed through the regulated path and rejected by the Conference Platform (CP) for lack of capacity - is route advanced via LCR and completes through the CP Affiliate Tandem



Configuration:

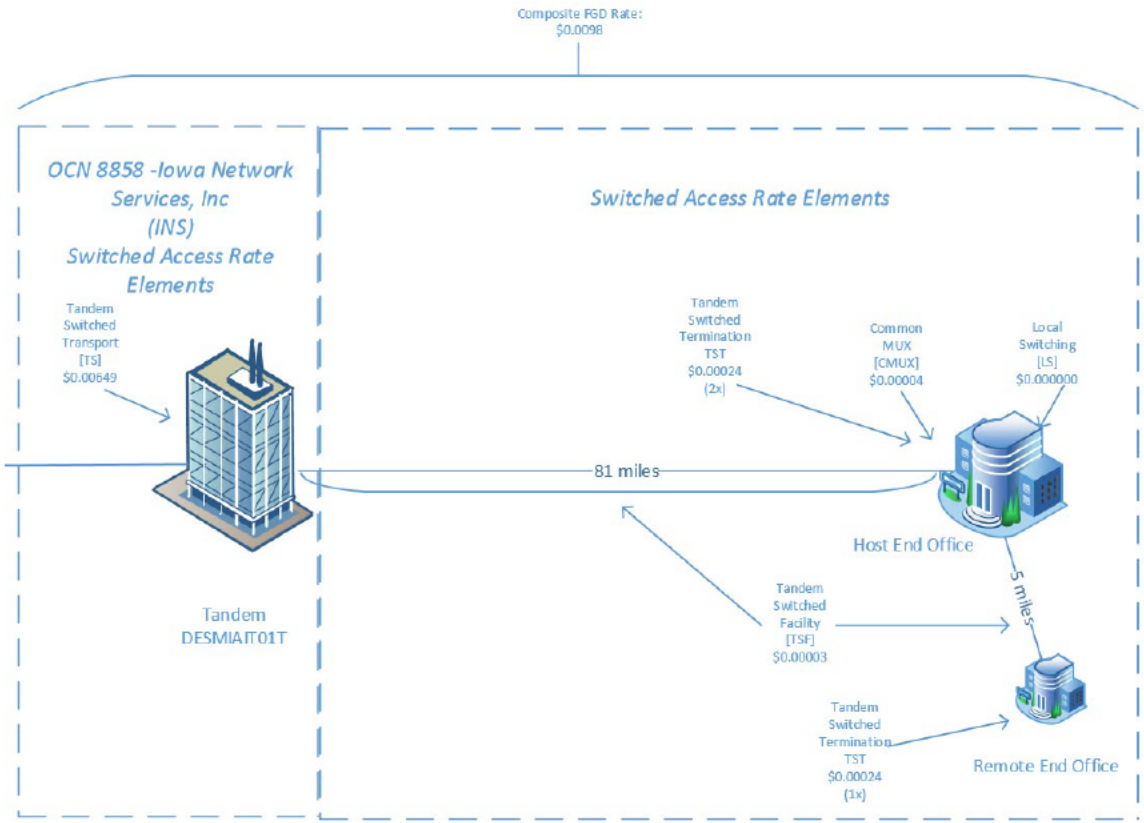
1. Some calls routed to the regulated call path through the End Office and to the Conference Platform (CP) – are rejected
2. Calls are rejected by the conference platform, not the end office, and returned to IXC with a 503 code – no capacity
3. IXC route advances to LCR carriers to avoid rural call completion complaints
4. LCR carriers route calls to a CP affiliated Tandem that has a direct connect route to the CEA End Office and Conference Platform
5. Rates are slightly lower than the regulated CEA route and pick up large portion of LCR routes
6. Inteliquent has a current litigation contending that a portion of the traffic never reaches the RLEC/CLEC End Office

Perceived Protection – Creates mileage and termination arbitrage

End Office claiming CEA status and not accepting a direct connect - inflates mileage and termination charge to 16.3x the corresponding ILEC benchmark rates

Example:

- Regulated route cost to terminate is $0.0098
  - $0.00649 Aureon (no bypass option)
  - $0.00331 Access Networks using 85 miles of transport and 3 term charges due to host/remote configuration
- Direct connect per CenturyLink MOU charges would be < $0.0006 or a 16.3 times less usage expense [1]
- Alternative routes through CP affiliate tandem are ~ 10% to 15% lower then the regulated route or ~ $0.0088/MOU
- It is unclear who is retaining the gap between $0.0088 affiliate route and the < $0.0006 direct connect cost



[1] Assumes 10 miles maximum transport and 1 transport termination charge – since a Host/Remote configuration is only serves to inflate per MOU charges

The Commission should avoid overly broad solutions –fine tune the existing rules to eliminate future arbitrage is important

Considerations:

- Risk of a Direct Connect only solution:
  - Conference Platforms will continuously move traffic and stay ahead of the IXC direct connects
  - Direct connects can take time and money to implement and traffic can move before ROI is returned
  - Platforms will move to the highest benchmark rate for direct connect NRC and MRC
  - Tandems provide an efficient interconnect medium to protect against traffic movement
- Risk of Eliminating Tandem Charges
  - CEA providers have legitimate costs to recover
  - Cost to serve will be spread across all other carriers not engaged in the access stimulation
  - Eliminating the tandem cost will not eliminate the mileage between the tandem and end office, or the end office and remote host

Recommendations for the Commission to consider for terminating access stimulation

Utilize the benchmarking and % utilization methods to set terminating tandem rates for MOU associated with access stimulation, and provide an option for the IXC to direct connect to the end office

Recommendations: Both elements are critical to prevent movement of traffice

1. Tandem: (CEA or Not)
   - Set a single, national, benchmark terminating tandem rate (e.g., $0.0011) – for traffic delivered to an end office of a terminating LEC that is engaged in terminating access stimulation (all rate elements included)
   - IXC will set a % Access Stimulation MOU factor – similar to VoIP and other historical methods
   - Alternatively, for traffic destined to a terminating LEC engaged in traffic stimulation, permit CEA recovery by way of a tandem switching charge set at corresponding ILEC rate
2. RLEC/CLEC: (CEA or Not)
   - If engaged in access stimulation – RLEC/CLEC must offer a direct connect
   - Cost to Interconnect is equal to the price cap carrier
   - Rules that will apply whether IXC delivers traffic via a tandem or a direct connect:
     - Maximum mileage is set at 10 miles
     - Maximum number of termination charges is 1
     - IXC will set a % Access Stimulation MOU factor – similar to VoIP and other historical methods

Rate impact of recommendation across a representative set of CLEC/RLECs

National rate creates a tandem option that can help avoid traffic moving from one exchange to the next, in the alternative the benchmark rule can be used to accelerate the process; in either case clarification that an IXC can direct connect with a CLEC/RLEC engaged in access stimulation would provide relief

Summary

- Tariff rates assembled for interstate only

State	OCN Name	Current Rates	Best IXC Rate	Incumbent Benchmark (1)	National Rate (2)	Benchmark Rate (3)	Direct Connect (4)
IA	CLEC 1	$0.009100	$0.007600	$0.005665	$0.001700	$0.002888	$0.000600
IA	CLEC 2	$0.009796	$0.008300	$0.006325	$0.001700	$0.002888	$0.000600
IA	CLEC 3	$0.006800	$0.007050	$0.003325	$0.001700	$0.002888	$0.000600
IA	CLEC 4	$0.007570	$0.007300	$0.004135	$0.001700	$0.002888	$0.000600
IA	CLEC 5	$0.007810	$0.007300	$0.004375	$0.001700	$0.002888	$0.000600
IA	CLEC 6	$0.007910	$0.006900	$0.003775	$0.001700	$0.002888	$0.000600
IA	CLEC 7	$0.008200	$0.007300	$0.004765	$0.001700	$0.002888	$0.000600
IA	RLEC 8	$0.013289	$0.009500	$0.004255	$0.001700	$0.002888	$0.000600

Assumptions:
1. Incumbernt Benchmark: price cap carrier rates - tandem $0.002288, per mileage $0.00003, termination charges $0.0003 (not recommended)
2. National Rate: @ $0.0011, no other facility charges, no tandem mileage charges, end office @ 10 mile max using price cap carrier rate $0.00003, and 1 termination charge @ price cap rate $0.0003 (Recommended)
3. Benchmark Rate: Benchmark incumbent price cap carrier for tandem rate, no tandem miles, end office using 10 miles max at price cap rate, and 1 termination charge at price cap rate (Alternative Recommendation vs National Benchmark Rate)
4. Direct Connect: Requires RLEC/CLEC to accept direct connects at price cap rate - using 10 miles max, and 1 termination charge (Recommended)

Inteliquent prefers the FCC implement a direct connect requirement and a national tandem rate. National rates avoid the high NRC and MRC of Tandems in some states.

8YY Access Charges

The FCC Should Limit 8YY DIP Rates by Clarifying that the CLEC Benchmark Rule Applies

- Inteliquent serves both sides of toll-free market but has not experienced the high rates AT&T alleges some carriers charge for 8YY database queries
- If AT&T demonstrates this is an issue, the solution is simple: limit 8YY database query charge to the lowest price cap LEC rate (presumptively just and reasonable rate)
  - Reduces incentive for LECs to stimulate 8YY traffic
  - Ensures that carriers with legitimate role in delivering 8YY traffic are fairly compensated (but not overly compensated)
  - Consistent with “called party pays” nature of 8YY traffic
- In contrast, forbearing from tariffing the 8YY database query charge would deprive legitimate intermediaries of just compensation for facilitating delivery of 8YY traffic.
- In another docket, some parties, including AT&T, have called for bill and keep for originating access for 8YY traffic as a response to traffic stimulation
- Inteliquent agrees with other parties, such as US Telecom, that bill and keep is too broad a response and that solutions should be targeted to those who engage in those activities.

Q&A